



7710-12

POSTAL SERVICE

39 CFR Part 121

Service Standards for Market-Dominant Mail Products

AGENCY: Postal Service™.

ACTION: Proposed rule.

SUMMARY: The Postal Service seeks public comment on proposed revisions to the service standards for market-dominant mail products. The most significant revision would largely eliminate overnight service for First-Class Mail.

DATES: Comments must be received on or before [INSERT DATE 60 DAYS FROM DATE OF PUBLICATION].

ADDRESSES: Written comments should be mailed to Manager, Industry Engagement and Outreach, United States Postal Service, 475 L'Enfant Plaza, SW, Room 4107, Washington, DC 20260-4107, or transmitted by email to industryfeedback@usps.com. Copies of all comments will be available for inspection and photocopying at the Postal Service Headquarters Library, 475 L'Enfant Plaza, SW, 11th Floor North, Washington, DC 20260, between 9 a.m. and 4 p.m., Monday through Friday, by appointment (please call 202-268-5585 to schedule an appointment).

FOR FURTHER INFORMATION CONTACT: Wendy Hocking, Industry Engagement and Outreach, at 202-268-8149; or Emily Rosenberg, Network Analytics, at 202-268-5585.

SUPPLEMENTARY INFORMATION:

Table of Contents.

I. Introduction.

- II. Advance Notice.
- III. Comments.
- IV. Response to Comments.
- V. Proposed Revisions to Service Standards.
 - A. Service Standards Generally.
 - B. First-Class Mail.
 - C. Periodicals.
 - D. Standard Mail and Package Services.
- VI. Request for Comments.

I. Introduction.

On September 21, 2011, the Postal Service published an advance notice of proposed rulemaking (the Advance Notice) in the *Federal Register* soliciting public comment on a conceptual proposal to revise service standards for market-dominant products.¹ The comment period for the Advance Notice closed on October 21, 2011. Having developed the concept into a concrete proposal, the Postal Service is now publishing and soliciting public comment on proposed revisions to the service standard regulations contained in 39 CFR Part 121. Pursuant to 39 U.S.C. 3661(b), the Postal Service has also requested an advisory opinion from the Postal Regulatory Commission regarding the proposed revisions.²

II. Advance Notice.

In the Advance Notice, the Postal Service explained that the growing excess capacity in its mail processing network has led it to consider significantly consolidating that network. The excess capacity stems largely from falling mail volumes, particularly in First-Class Mail. Annual First-Class Mail volume peaked in 2001 at 103.7 billion

¹ Proposal to Revise Service Standards for First-Class Mail, Periodicals, and Standard Mail, 76 FR 58433 (Sept. 21, 2011).

² Request of the United States Postal Service for an Advisory Opinion on Changes in the Nature of Postal Services, Docket No. N2012-1 (Dec. 5, 2011). Documents pertaining to the Request are available at the Postal Regulatory Commission (PRC) website, <http://www.prc.gov>, under Docket No. N2012-1.

pieces; it has fallen about 30 billion pieces since then, or 29 percent. The Postal Service's mail processing network was designed principally to achieve First-Class Mail service standards, and the decline in First-Class Mail volume has made it difficult for the Postal Service to consolidate the network quickly enough to align with current volumes.

The Postal Service stated in the Advance Notice that further changes to align the mail processing network will for the most part be unachievable without a relaxation of certain market-dominant service standards, particularly for First-Class Mail. The Postal Service set forth a proposal to eliminate the overnight service standard for First-Class Mail, narrow the product's two-day delivery range, and enlarge its three-day delivery range. The proposal also contemplated similar changes to the Periodicals service standards, because those service standards are linked to First-Class Mail service standards. The Postal Service further noted that the proposal could entail minor changes to Standard Mail service standards, and it stated that all Postal Service products could experience changes in specific 3-digit ZIP Code origin-destination pairs' transit times.

The Postal Service explained in the Advance Notice that the proposal could make possible a significant modification of the mail processing network, better aligning the network with current and future mail volumes, and that the proposal could lead to significant cost savings. The Postal Service also described some of the effects the proposal could have on mail users. The Postal Service solicited public comment on all aspects of the proposal.

III. Comments.

The Postal Service received over 4,200 comments in response to the Advance Notice, from a variety of sources, including retail customers, small businesses, periodicals publishers, parcel shippers, nonprofit mailers, commercial mail advertisers, mailer trade associations, postal unions and associations, state and local governments, members of Congress, and others. The majority of commenters expressed opposition to the proposal. Some commenters, while not opposed to the proposal, raised concerns regarding it. Some commenters requested more information. A minority of commenters supported the proposal.

Commenters who opposed the proposal cited a number of reasons for their opposition. Some stated that the current service standards constitute an essential component of the mail, without which the mail would lose its utility to those who rely upon it most, such as the elderly, those who cannot access the internet, and those who live in rural areas. They pointed out that the proposal could cause delayed receipt of vital checks and medicines and could lead to more late fees being levied by financial institutions. They stated that the proposal would lead to lower mail volumes and revenue for the Postal Service, would hurt many businesses that rely on the mail, and would damage the economy generally. Numerous commenters expressed concern regarding the impact that the closures of processing facilities would have on local communities.

Some commenters questioned whether the Postal Service's financial difficulties are significant enough to require major changes. Others suggested that the Postal Service seek to improve its financial position through other means, such as pricing and legislative changes, rather than lengthen service standards. Some commenters stated

that the proposal violates the statutes governing the Postal Service, and they questioned whether the Postal Service has considered all of the requisite statutory factors in forming its proposal.

Commenters also requested more information about the proposal. Commenters asked for a calculation of the cost savings and revenue loss that would result from the proposal. They stated that the mailing industry needs comprehensive information on how the proposal would alter the service standards between each 3-digit ZIP Code origin-destination pair and Critical Entry Times. They requested an implementation timeline, including the sequence in which facilities would be closed.

Some commenters questioned whether the Postal Service would be able to maintain its current on-time delivery performance, given the longer distances that mail will be transported to and from processing facilities. Many mailers expressed concern regarding how Business Mail Entry Units (BMEUs) and Detached Mail Units (DMUs) would be affected by the proposal; for example, they asked whether BMEUs would be maintained at sites where processing facilities are closed, and whether “stand-alone” BMEUs might be established in more central locations. Mailers expressed concern that, after the consolidation of a significant number of processing facilities, there could be congestion at the loading docks of the remaining facilities.

Mailers sought clarification on how the Postal Service will transition customer mailing accounts if acceptance units are closed or consolidated, and whether existing permits could continue to be used at new acceptance units. Some mailers inquired whether the Postal Service would create single permits for customers that mail at multiple origin offices. More generally, many commenters asked how the Postal Service

would communicate the changes associated with the proposal both to commercial customers and to the public at large.

IV. Response to Comments.

The Postal Service has decided to continue pursuing the proposal, with some changes, by issuing proposed rules.³ The Postal Service acknowledges that the proposal would cause difficulty for some customers, and would, to some degree, reduce the value of the mail to customers. However, it believes that, on balance, the proposal is in the long-term interests of the Postal Service, and that it will help maintain the viability of the Postal Service for all customers into the future. The Postal Service believes that the proposal conforms to the policies of Title 39 and, in particular, to the factors and objectives set forth in subsections (b)(1) and (c) of 39 U.S.C. 3691 for designing and revising market-dominant service standards.⁴

The primary reality driving the proposal is the decline in First-Class Mail volume. As noted above, annual First-Class Mail volume has declined 29 percent over the last decade. The Postal Service expects this volume to decline faster in the next decade – the Postal Service forecasts annual First-Class Mail volume to fall from 73.5 billion pieces in 2011 to 39 billion pieces in 2020, a decline of 47 percent from the 2011 level. The mail processing network was designed principally to achieve First-Class Mail service standards, and if the network does not undergo significant consolidation, it will be vastly oversized for the amount of First-Class Mail volume it processes. As the

³ The proposal, as modified, is described in detail in Section V.

⁴ A lengthier discussion of how the proposal conforms to the policies of Title 39 and to the factors and objectives set forth in subsections (b)(1) and (c) of 39 U.S.C. 3691 is contained in the Postal Service's request to the PRC for an advisory opinion. See Request of the United States Postal Service for an Advisory Opinion on Changes in the Nature of Postal Services, Docket No. N2012-1 (Dec. 5, 2011); see also Direct Testimony of David Williams on Behalf of the United States Postal Service (USPS-T-1), Docket No. N2012-1 (Dec. 5, 2011), available at <http://www.prc.gov>.

Postal Service has stated, a significant consolidation of the mail processing network is not possible without adjusting market-dominant service standards.

In regard to commenters' concern that the proposal will exacerbate volume declines, the Postal Service has conducted market research to determine how retail and commercial customers would react to the proposal. Based on this market research, the Postal Service estimates that the proposal will lead to an additional 1.9 percent decline in First-Class Mail (approximately 1.5 billion pieces), based on 2010 volume.⁵ In light of the forecast 47 percent decline in annual First-Class Mail volume by 2020, the Postal Service believes that the additional 1.9 percent decline is, while unfortunate, acceptable.

The Postal Service has also calculated the cost savings that will likely accrue to the Postal Service upon full implementation of the proposal, by reviewing all of the operational changes that would occur if the proposal were to be implemented, and then quantifying the costs that would be saved as a result of those changes. The Postal Service believes that these cost savings will total approximately \$2.6 billion annually.⁶ The data produced by the Postal Service's market research indicate that the proposal would lead to an annual loss of \$1.3 billion in revenue, which translates to \$0.5 billion in lost contribution. Subtracting this contribution loss from the cost savings yields a net annual benefit of \$2.1 billion to the Postal Service. Given the multi-billion dollar deficits that the Postal Service has experienced in each of the last five years, and given the

⁵ A full description of the market research is contained in testimony filed at the PRC. See Direct Testimony of Greg Whiteman on Behalf of the United States Postal Service (USPS-T-12), Docket No. N2012-1 (Dec. 5, 2011), available at <http://www.prc.gov>.

⁶ Full descriptions of the cost savings calculations are contained in testimony filed at the PRC. See Direct Testimony of Marc Smith on Behalf of the United States Postal Service (USPS-T-9), and Direct Testimony of Michael Bradley on Behalf of the United States Postal Service (USPS-T-10), Docket No. N2012-1 (Dec. 5, 2011), available at <http://www.prc.gov>.

over \$14 billion dollar loss it expects in 2012,⁷ capturing cost savings wherever possible will be vital to the Postal Service's financial viability. The Postal Service believes that the present proposal's estimated \$2.1 billion in net annual benefit will, along with other initiatives and measures, help return the Postal Service to a fiscally sound position.

To provide detail on the potential impact of the proposal on the service standards between specific 3-Digit ZIP Code origin-destination pairs, the Postal Service has published an illustrative Service Standard Directory (SSD) at <http://about.usps.com/news/facility-studies/>. The SSD lists the service standards that would exist in a potential realigned network. Because the proposal could change prior to implementation or possibly not be implemented, and because the actual changes that ultimately occur will depend on the outcome of numerous Area Mail Processing studies, the SSD list is only hypothetical and illustrative. For the same reasons, the Postal Service does not presently have an implementation timeline or a planned sequence in which facilities would be closed.

The Postal Service believes that, if the proposal is implemented, the Postal Service will achieve the same rates of success in meeting the new service standards as it currently achieves in meeting the existing service standards. In response to mailers' concerns regarding BMEUs, the Postal Service will, wherever practicable, retain BMEUs in facilities where processing operations are eliminated. Where this is not practicable, the Postal Service will set up new acceptance units within relatively close geographical proximity to the original facilities. In regard to mailers' concerns about

⁷ Some commenters stated that, if the statutory burden of an accelerated prefunding schedule for the Retiree Health Benefits Fund were lifted, the Postal Service would be in a financially sound position. In response, the Postal Service notes that, if it no longer had to make any prefunding payments to the Retiree Health Benefits Fund, it would still experience a projected financial loss of \$3 billion in 2012.

congestion at the loading docks of remaining facilities, the Postal Service will adjust local staffing levels and facility capacity as necessary to avoid congestion. In addition, Plant-Verified Drop Ship appointment windows in the Facility Access and Shipment Tracking system will be adjusted as necessary to support shifting volumes across the network. In regard to mailers' concerns about permits, the Postal Service will allow customers to maintain their existing permit account numbers from eliminated sites for use at the remaining sites. Customers will also be able to continue using existing indicia.⁸

As the Postal Service moves forward with the proposal, it is committed to communicating its plans in a clear and simple manner.

V. Proposed Revisions to Service Standards.

The Postal Service's market-dominant service standards are contained in 39 CFR Part 121. The proposed revised version of 39 CFR Part 121 appears at the end of this Notice. The following is a summary of the proposed revisions.

A. Service Standards Generally.

Before describing how service standards will be revised, it is important to understand how service standards are structured. Service standards are comprised of two components: (1) a delivery day range within which all mail in a given product is expected to be delivered;⁹ and (2) business rules that determine, within a product's applicable day range, the specific number of delivery days after acceptance of a mail piece by which a customer can expect that piece to be delivered, based on the 3-Digit

⁸ A full description of the impact of the proposal on the entry of commercial mail is contained in testimony filed at the PRC. See Direct Testimony of Pritha N. Mehra on Behalf of the United States Postal Service (USPS-T-7), Docket No. N2012-1 (Dec. 5, 2011), available at <http://www.prc.gov>.

⁹ There are separate delivery day ranges for mail within the contiguous forty-eight states and mail that originates or destines outside the contiguous forty-eight states.

ZIP Code prefixes associated with the piece's point of entry into the mail stream and its delivery address.

Business rules are based on Critical Entry Times (CETs). The CET is the latest time on a particular day that a mail piece can be entered into the postal network and still have its service standard calculated based on that day (this day is termed "day-zero"). In other words, if a piece is entered before the CET, its service standard is calculated from the day of entry, whereas if it is entered after the CET, its service standard is calculated from the following day.¹⁰ For example, if the applicable CET is 5:00 p.m., and a letter is entered at 4:00 p.m. on a Tuesday, its service standard will be calculated from Tuesday, whereas if the letter is entered at 6:00 p.m. on a Tuesday, its service standard will be calculated from Wednesday.

CETs are not contained in 39 CFR Part 121, because they vary based on where mail is entered, the mail's level of preparation, and other factors. The CETs at retail collection points are generally listed at those points.¹¹ For example, blue collection boxes list the time of day when mail is collected from them by the Postal Service; if a blue collection box lists three pick-up times on one day, the CET for that day is the latest listed pick-up time.

The Postal Service has noted below certain new CETs it plans to institute if it determines to implement the proposed rules. The CETs could, of course, be modified in the future, as the operating environment that the Postal Service faces changes over time.

¹⁰ If the following day is a Sunday or holiday, then the service standard is calculated from the next Postal Service delivery day.

¹¹ The CET for outgoing mail left in a residential customer's mailbox for pick-up by the customer's carrier obviously varies based on the carrier's schedule. The same is true for collection boxes that are part of residential delivery cluster boxes.

B. First-Class Mail.

The Postal Service is not proposing to change the first component of the First-Class Mail service standards, namely the delivery day range applicable to First-Class Mail in general. As is currently the case, the delivery day range for First-Class Mail that originates and destines in the contiguous forty-eight states will technically remain one to three days, and the delivery day range for First-Class Mail that originates or destines in Alaska, Hawaii, Puerto Rico, the U.S. Virgin Islands, or other U.S. territories will technically remain one to five days.

The Postal Service is, however, proposing to change the second component of the First-Class Mail service standards, namely the business rules. The most significant effect of these changes will be to drastically reduce the amount of First-Class Mail that qualifies for an overnight service standard. Under the current First-Class Mail overnight business rule, intra-Sectional Center Facility (SCF) mail is subject to overnight delivery if it is entered before the applicable day-zero CET.¹² Mail is “intra-SCF” if its destination is within its designated SCF’s delivery area. The current overnight business rule also includes criteria establishing an overnight service standard for some inter-SCF mail entered before the CET, depending on the mail’s destination.

Under the proposed revisions to the First-Class Mail overnight business rule, overnight service would be accorded only to intra-SCF Presort First-Class Mail that is

¹² The rule has an exception that excludes from overnight service some mail outside of the contiguous forty-eight states, specifically: mail between Puerto Rico and the U.S. Virgin Islands; and mail originating and destinating in the Alaska 3-Digit ZIP Codes 996, 997, 998, and 999, and in the Alaska 5-Digit ZIP Codes 99540 to 99591.

entered at the SCF prior to the CET.¹³ Overnight service would not be accorded to any mail that is entered anywhere other than the designated SCF, it would not be accorded to any mail whose destination is outside the delivery area of the SCF (*i.e.*, *inter*-SCF), and it would not be accorded to any mail that does not meet all of the preparation requirements for Presort mail. The CET at the SCF would be 8:00 a.m., with a 12:00 p.m. exception that would be available only to intra-SCF Presort First-Class Mail that is sorted and containerized to the 5-Digit Zip Code or 5-Digit scheme level.¹⁴ Pursuant to these revisions, overnight service would no longer be available to any First-Class Mail entered by retail customers, regardless of when or where such mail is entered.¹⁵

Intra-SCF mail that is entered before the day-zero CET but does not meet the criteria for overnight service would be accorded a two-day service standard. The First-Class Mail two-day business rule would be revised accordingly. In addition, the current First-Class Mail two-day business rule covers any mail piece entered before the day-zero CET if the driving time between the piece's origin Processing and Distribution Center or Facility (P&DC/F) and its destination Area Distribution Center (ADC) is twelve hours or less (and the piece does not qualify for the overnight standard). This criterion

¹³ The rule will retain the exception that the current rule has to exclude from overnight service some mail outside of the contiguous forty-eight states. However, the exception will be expanded to also include the Alaska 5-Digit ZIP Codes 99592 to 99599. These ZIP Codes are currently unassigned, but they may be assigned in the future.

¹⁴ A "scheme" is a collection of multiple 5-Digit ZIP Codes that are processed on a single sort program.

¹⁵ As is the case currently, First-Class Mail entered by retail customers would have varying CETs based on the point of entry. Because mail entered by retail customers cannot meet the preparation requirements for Presort mail, such mail would be ineligible for overnight service.

would be revised to a four hour driving time between the piece's origin P&DC/F and its destination SCF.¹⁶

All First-Class Mail that qualifies for a two-day service standard under the current two-day business rule, but would not qualify for a two-day service standard under the proposed two-day business rule, will qualify for a three-day standard. The three-, four-, and five-day business rules for First-Class Mail will not be revised. Any First-Class Mail that currently qualifies for a three-, four-, or five-day service standard will retain its current service standard under the proposed rules.¹⁷

The Postal Service is not proposing any changes to the service standards for First-Class Mail International beyond the changes described above for domestic First-Class Mail. The new domestic transit time for First-Class Mail International will mirror the new domestic transit time for domestic First-Class Mail.

C. Periodicals.

The Postal Service is not proposing to change the delivery day range for Periodicals mailed within the contiguous forty-eight states, but it is proposing to change the delivery day range for Periodicals that originate or destinate outside the contiguous forty-eight states. The Postal Service proposes extending such mail's maximum

¹⁶ The current business rule measures the driving time based on the destination ADC. After the proposed consolidation of so many facilities, the Postal Service believes it will be able to sort First-Class Mail at the origin to the SCF level, which is a further level of sortation than the ADC level. Therefore, mail will generally bypass ADCs and be transported directly to SCFs. For this reason, the proposed business rule measures the driving time based on the destination SCF.

¹⁷ There will be limited, exceptional cases where, as a result of the proposed network changes, the service standards between certain origin-destination pairs will change from three days to two days.

delivery period from the current twenty days to a proposed twenty-six days, to more accurately reflect the service that is received by such mail.¹⁸

The Postal Service is also proposing to change the Periodicals business rules. There are separate business rules for end-to-end Periodicals and destination-entry Periodicals.

1. End-to-End Periodicals.

Under the current overnight business rule for end-to-end Periodicals, intra-SCF mail is subject to overnight delivery if it is entered before the applicable day-zero CET and its origin P&DC/F and SCF are located in the same building.¹⁹ Under the proposed overnight business rule, overnight service would be limited to pieces that are intra-SCF, Presort, not mixed with any inter-SCF pieces, and entered at the SCF prior to the CET.²⁰ The differences between the current and proposed rules, then, are that the proposed rule adds requirements that the mail be Presort, that it not be mixed with inter-SCF mail, and that it be entered at the designated SCF.

Further, some of the end-to-end Periodicals CETs will change. The current CETs at facilities that do not employ the Flats Sequencing System (non-FSS facilities) are 4:00 p.m. for mailings that require the Postal Service to perform a bundle sort, and 5:00 p.m. for mailings that do not require the Postal Service to perform a bundle sort.

¹⁸ Outside the contiguous forty-eight states, mail is often dependent on transportation that does not run daily (e.g., certain boat and air-taxi services used by the Postal Service operate only on certain days of the week). For this reason, the service accorded to such mail varies widely and is often much longer than stated in the current service standards.

¹⁹ As with the First-Class Mail overnight business rule, the Periodicals overnight business rule has an exception that excludes from overnight service mail between Puerto Rico and the U.S. Virgin Islands, and mail originating and destinating in the Alaska 3-Digit ZIP Codes 996, 997, 998, and 999, and in the Alaska 5-Digit ZIP Codes 99540 to 99591.

²⁰ The rule will retain the exception that the current rule has to exclude from overnight service some mail outside of the contiguous forty-eight states. However, the exception will be expanded to also include the Alaska 5-Digit ZIP Codes 99592 to 99599. These ZIP Codes are currently unassigned, but they may be assigned in the future.

These CETs would be changed to 11:00 a.m. and 2:00 p.m., respectively. The current CETs at FSS facilities – 8:00 a.m. for mailings that require a bundle sort, and 11:00 a.m. for mailings that do not require a bundle sort – will remain unchanged.

The Postal Service is proposing to insert a new, two-day business rule for end-to-end Periodicals to cover all intra-SCF mail that is entered prior to the CET and does not meet the requirements of the proposed overnight business rule.²¹ Thus, end-to-end Periodicals mail pieces that meet the requirements of the current overnight business rule but do not meet the requirements of the proposed overnight business rule will be accorded a two-day service standard.

Consequently, the current two- to four-day business rule for end-to-end Periodicals will be revised to become a three- to four-day business rule. This rule will not be revised in any other way. The current five- to nine-day business rule for end-to-end Periodicals will not be revised. The current eight- to twenty-day business rule for end-to-end Periodicals will be revised to become an eleven- to twenty-six-day business rule. This revision is being made so that the rule more accurately reflects the service that is currently received by pieces destinating outside the contiguous forty-eight states.²²

2. Destination-Entry Periodicals.

The CETs for destination-entry Periodicals will be changed in the same manner as the CETs for end-to-end Periodicals are changed. The CETs at non-FSS facilities will change from 4:00 p.m. for mailings that require a bundle sort, and 5:00 p.m. for

²¹ The proposed end-to-end Periodicals two-day business rule will have the same exception that the proposed end-to-end Periodicals overnight business rule will have to exclude from overnight service some mail outside of the contiguous forty-eight states.

²² This rule applies only to mail originating or destinating outside the contiguous forty-eight states.

mailings that do not require a bundle sort, to 11:00 a.m. and 2:00 p.m., respectively. The CETs at FSS facilities will not change.

The business rules for destination-entry Periodicals will not be revised in any significant fashion. The seven-day business rule will be revised to become an eleven-day business rule, and the five- to eight-day business rule will be revised to become an eight- to eleven-day business rule. Both of these changes are being made so that the rules more accurately reflect the service that is currently received by pieces destinating outside the contiguous forty-eight states.²³

D. Standard Mail and Package Services.

The Postal Service is not proposing any revisions to the service standards for Standard Mail and Package Services pieces mailed within the contiguous forty-eight states. The Postal Service is proposing to revise the Standard Mail and Package Services service standards for pieces that originate or destinate outside the contiguous forty-eight states, to more accurately reflect the service that such pieces receive. The Postal Service is proposing to extend Standard Mail's maximum delivery period from the current twenty-two days to a proposed twenty-seven days. In the Standard Mail business rules, the end-to-end nine- to twenty-two-day rule would be revised to twelve to twenty-seven days, and the destination-entry nine- to twelve-day rule would be revised to twelve to fourteen days.

The Postal Service is proposing to extend Package Services' maximum delivery period from the current twenty days to a proposed twenty-six days. In the Package

²³ In addition, the exception that the current two-day business rule has to exclude from overnight service some mail outside of the contiguous forty-eight states will be expanded in the proposed two-day business rule to include the Alaska 5-Digit ZIP Codes 99592 to 99599. These ZIP Codes are currently unassigned, but they may be assigned in the future.

Services business rules, the end-to-end seven- to twenty-day rule would be revised to ten to twenty-six days, and the destination-entry seven- to eight-day rule would be revised to eleven to twelve days.

VI. Request for Comments.

The Postal Service requests comments on the proposed revisions to 39 CFR Part 121 and on the proposal generally. A more extensive discussion of the proposal and its associated network and service implications is available in the materials filed by the Postal Service with the Postal Regulatory Commission in Docket No. N2012-1, at <http://www.prc.gov>. If the Postal Service determines to implement the proposal, it will publish final rules in the *Federal Register*.

Accordingly, for the reasons stated, the Postal Service proposes the following revision to 39 CFR Part 121:

List of Subjects in 39 CFR Part 121

Administrative practice and procedure, Postal Service.

PART 121 – SERVICE STANDARDS FOR MARKET DOMINANT MAIL PRODUCTS

1. The authority citation for 39 CFR Part 121 continues to read as follows:

Authority: 39 U.S.C. 101, 401, 403, 404, 1001, 3691.

2. Revise Part 121 to read as follows:

121.1 First-Class Mail

121.2 Periodicals

121.3 Standard Mail

121.4 Package Services

APPENDIX A TO PART 121 – TABLES DEPICTING SERVICE STANDARD DAY RANGES

§ 121.1 First-Class Mail.

(a) For all intra-Sectional Center Facility (SCF) domestic Presort First-Class Mail® pieces properly accepted at the designated SCF prior to the established and published Critical Entry Time, the service standard is 1-day (overnight), except for mail between Puerto Rico and the U.S. Virgin Islands and intra-SCF mail originating and destinating in the following 3-digit ZIP Code areas in Alaska or designated portions thereof: 995 (5-digit ZIP Codes 99540 through 99599), 996, 997, 998 and 999. For all intra-SCF domestic Presort First Class Mail five-digit or schemed container mail properly accepted at the designated SCF prior to the established and published Critical Entry Time, the service standard is 1-day (overnight), except for mail between Puerto Rico and the U.S. Virgin Islands and intra-SCF mail originating and destinating in the following 3-digit ZIP Code areas in Alaska or designated portions thereof: 995 (5-digit ZIP Codes 99540 through 99599), 996, 997, 998 and 999.

(b) A 2-day service standard is established for all domestic First-Class Mail pieces properly accepted before the day-zero Critical Entry Time at origin if a 1-day service standard is not required, and if the origin PDC/F to SCF surface transportation drive time is 4 hours or less; or if the origin and delivery address are separately in the territories of Puerto Rico and the U.S. Virgin Islands; or if the mail is intra-SCF and originating from or destinating to one of the following 3-digit ZIP Code areas in Alaska or designated portions thereof: 995 (5-digit ZIP Code areas 99540 through 99599), 996, 997, 998, and 999.

(c) A 3-day service standard is established for all remaining domestic First-Class Mail pieces properly accepted before the day-zero Critical Entry Time at origin, if neither a 1-day nor a 2-day service standard is required and:

(1) Both the origin SCF and the delivery address are within the contiguous 48 states;

(2) The origin SCF is in the contiguous 48 states, and the delivery address is in either of the following: the 995 3-digit ZIP Code area in the state of Alaska, or the 968 3-digit ZIP Code area in the state of Hawaii, or in the 006, 007, or 009 3-digit ZIP Code areas of the territory of Puerto Rico;

(3) The origin is in the 006, 007 or 009 3-digit ZIP Code areas of the territory of Puerto Rico and the delivery address is in the contiguous 48 states;

(4) The origin SCF is in the state of Hawaii and the delivery address is in the territory of Guam; the origin is in the territory of Guam and the delivery address is in the state of Hawaii;

(5) Both the origin SCF and the delivery address are within the state of Alaska; or

(6) The origin and delivery address are separately in the territories of Puerto Rico and the U.S. Virgin Islands.

(d) A 4-day service standard is established for all remaining First-Class Mail pieces properly accepted before the day-zero Critical Entry Time at origin, if either a 1-day, 2-day, or 3-day service standard is not required, and if:

(1) The origin SCF is in the contiguous 48 states and the delivery address is in either of the following: any portion of the state of Alaska not in the 995 3-digit ZIP Code

area; or any portion of the state of Hawaii not in the 968 3-digit ZIP Code area; or the territory of the U.S. Virgin Islands.

(2) The delivery address is in the contiguous 48 states and the origin is in either of the following: the state of Alaska, the state of Hawaii, or the territory of the U.S. Virgin Islands; or

(3) The origin and delivery address are in different states or territories, excluding mail to and from the territory of Guam and mail between the territories of Puerto Rico and the U.S. Virgin Islands.

(e) A 5-day service standard is established for all remaining domestic First-Class Mail pieces properly accepted before the day-zero Critical Entry Time at origin, if those pieces originate in the territory of Guam but are not destined for Guam or the state of Hawaii, or if those pieces originate other than in Guam or Hawaii and are destined for Guam.

(f) The service standard for Outbound Single-Piece First-Class Mail International™ pieces properly accepted before the day-zero Critical Entry Time at origin is equivalent to the service standard for domestic First-Class Mail from the same origin 3-digit ZIP Code to the 3-digit ZIP Code area in which that origin's designated International Service Center is located.

(g) The service standard for Inbound Single-Piece First-Class Mail International is equivalent to the service standard for domestic First-Class Mail pieces from the 3-digit ZIP Code area in which that inbound mail's designated International Service Center is located to the 3-digit ZIP Code of the delivery address.

§ 121.2 Periodicals.

(a) *End-to-End*. (1) For all intra-Sectional Center Facility (SCF) domestic Presort pieces properly accepted at the designated SCF prior to the established and published Critical Entry Time, the service standard is 1-day (overnight), except for mail between Puerto Rico and the U.S. Virgin Islands and intra-SCF mail originating and destinating in the following 3-digit ZIP Code areas in Alaska or designated portions thereof: 995 (5-digit ZIP Codes 99540 through 99599), 996, 997, 998 and 999. For all intra-Sectional Center Facility (SCF) domestic Presort five-digit or schemed container mail properly accepted at the designated SCF prior to the established and published Critical Entry Time, the service standard is 1-day (overnight), except for mail between Puerto Rico and the U.S. Virgin Islands and intra-SCF mail originating and destinating in the following 3-digit ZIP Code areas in Alaska or designated portions thereof: 995 (5-digit ZIP Codes 99540 through 99599), 996, 997, 998 and 999.

(2) For all SCF turnaround Periodicals properly accepted before the established and published day-zero Critical Entry Time at origin, where the origin P&DC/F and SCF are in the same building, the service standard is 2 days, except for mail between the territories of Puerto Rico and the U.S. Virgin Islands, and mail originating or destinating in the following 3-digit ZIP Code areas within the state of Alaska or designated portions thereof: 995 (5-digit ZIP Code areas 99540 through 99599), 996, 997, 998, and 999.

(3) The Periodicals service standard is the sum of the applicable (2-to-3-day) First-Class Mail service standard plus one day, for each 3-digit ZIP Code origin-destination pair for which Periodicals are accepted before the day zero Critical Entry Time at origin and merged with First-Class Mail pieces for surface transportation (as defined by the Periodicals Origin Split and First-Class Mail mixed Area Distribution

Center/Automated Area Distribution Center (ADC/AADC) Domestic Mail Manual label list L201).

(4) The Periodicals service standard for mail between the territories of Puerto Rico and the U.S. Virgin Islands is 3 days.

(5) The Periodicals service standard for mail between the state of Hawaii and the territory of Guam is 4 days.

(6) The Periodicals service standard for intra-Alaska mail that is not overnight is 3 to 4 days for the following 3-digit ZIP Code areas or designated portions thereof: 995 (5-digit ZIP Code areas 99540 through 99599), 996, 997, 998, and 999.

(7) The Periodicals service standard for each remaining 3-digit ZIP Code origin-destination pair within the contiguous 48 states, for which Periodicals are accepted before the day zero Critical Entry Time at origin, is the sum of 4 or 5 days, plus the number of additional days (from 1 to 4) required for surface transportation between each 3-digit ZIP Code origin-destination pair.

(8) The Periodicals service standard for each remaining 3-digit ZIP Code origin-destination pair, for which Periodicals are accepted before the day zero Critical Entry Time at origin, is the sum of 4 or 5 days, plus the number of additional days (from 7 to 21) required for intermodal (highway, boat, air-taxi) transportation outside of the contiguous 48 states for each 3-digit ZIP Code origin-destination pair.

(b) *Destination Entry.* (1) Periodicals that qualify for a Destination Delivery Unit (DDU) or Destination Sectional Center Facility (DSCF) rate, and that are accepted before the day-zero Critical Entry Time at the proper DDU or DSCF, have a 1-day (overnight) service standard, except for mail dropped at the SCF in the territory of

Puerto Rico and destined for the territory of the U.S. Virgin Islands, and intra SCF mail in the following 3-digit ZIP Code areas in the state of Alaska or designated portions thereof: 995 (5-digit ZIP Code areas 99540 through 99599), 996, 997, 998 and 999.

(2) Periodicals that qualify for a Destination Area Distribution Center (DADC) rate, and that are accepted before the day zero Critical Entry Time at the proper DADC, unless the ADC is located with the contiguous 48 states and the destination is not, and where the DADC and DSCF are not the same building, have a 2-day service standard, unless the destination is the Alaska 997 3-digit ZIP Code area. Mail that qualifies for a Destination Sectional Center Facility (DSCF) rate has a 2-day service standard, if it is accepted before the day-zero Critical Entry Time, and the mail is dropped at the SCF in the territory of Puerto Rico and is destined for the territory of the U.S. Virgin Islands; or if the mail is intra-SCF in the following 3-digit ZIP Code areas of the state of Alaska: 996, 998 and 999. Periodicals that qualify for a DADC rate, and that are accepted before the day zero Critical Entry Time at the Alaska 997 DADC have a 3-day service standard.

(3) Periodicals that qualify for a Destination Network Distribution Center containerized rate, that are accepted before the day-zero Critical Entry Time at the proper destination NDC in the contiguous 48 states, and that are addressed for delivery in the contiguous 48 states, have a service standard of 1 or 2 days, corresponding to the standard for mail qualifying for the destination ADC rate, based on whether the destination ADC and SCF are the same building.

(4) Periodicals that qualify for a Destination Area Distribution Center (DADC) rate and that are accepted before the day zero Critical Entry Time at the proper DADC in the

contiguous 48 states for delivery to addresses in the state of Alaska have a service standard of 11 days.

(5) Periodicals that qualify for a Destination Network Distribution Center containerized rate, that are accepted before the day-zero Critical Entry Time at the proper destination NDC in the contiguous 48 states, and that are addressed for delivery in the states of Alaska or Hawaii, or the territories of Guam, Puerto Rico, or the U.S. Virgin Islands, have a service standard of 8 to 11 days, corresponding to the standard for mail qualifying for the destination ADC rate, which is based on the number of days required for transportation outside of the contiguous 48 states and whether the destination ADC and SCF are the same building.

§ 121.3 Standard Mail.

(a) *End-to-End.* (1) The service standard for Sectional Center Facility (SCF) turnaround Standard Mail® pieces accepted at origin before the day zero Critical Entry Time is 3 days when the origin Processing & Distribution Center/Facility (OPD&C/F) and the SCF are the same building, except for mail between the territories of Puerto Rico and the U.S. Virgin Islands.

(2) The service standard for Area Distribution Center (ADC) turnaround Standard Mail pieces accepted at origin before the day zero Critical Entry Time is 4 days when the OPD&C/F and the ADC are the same building, unless the ADC is in the contiguous 48 states and the delivery address is not, or when the mail is between the territories of Puerto Rico and the U.S. Virgin Islands.

(3) The service standard for intra-Network Distribution Center (NDC) Standard Mail pieces accepted at origin before the day zero Critical Entry Time is 5 days for each

remaining 3-digit ZIP Code origin-destination pair within the same Network Distribution Center service area if the origin and destination are within the contiguous 48 states; the same standard applies to mail that is intra-Alaska, intra-Hawaii, or between the state of Hawaii and the territory of Guam.

(4) For each remaining 3-digit ZIP Code origin-destination pair within the contiguous 48 states, the service standard for Standard Mail pieces accepted at origin before the day zero Critical Entry Time is the sum of 5 or 6 days plus the number of additional days (from 1 to 4) required for surface transportation between each 3-digit ZIP Code origin-destination pair.

(5) For each remaining 3-digit ZIP Code origin-destination pair, the service standard for Standard Mail pieces accepted at origin before the day zero Critical Entry Time is the sum of 5 or 6 days plus the number of additional days (from 7 to 21) required for intermodal (highway, boat, air-taxi) transportation outside of the contiguous 48 states for each 3-digit ZIP Code origin-destination pair.

(b) *Destination Entry.* (1) Standard Mail pieces that qualify for a Destination Delivery Unit (DDU) rate and that are accepted before the day zero Critical Entry Time at the proper DDU have a 2-day service standard.

(2) Standard Mail pieces that qualify for a Destination Sectional Center Facility (DSCF) rate and that are accepted before the day zero Critical Entry Time at the proper DSCF have a 3-day service standard, except for mail dropped at the SCF in the territory of Puerto Rico and destined for the territory of the U.S. Virgin Islands.

(3) Standard Mail pieces that qualify for a Destination Sectional Center Facility (DSCF) rate, and that are accepted before the day zero Critical Entry Time at the SCF

in the territory of Puerto Rico, have a 4-day service standard if destined for the territory of the U.S. Virgin Islands.

(4) Standard Mail pieces that qualify for a Destination Network Distribution Center (DNDC) rate, and that are accepted before the day zero Critical Entry Time at the proper DNDC have a 5-day service standard, if both the origin and the destination are in the contiguous 48 states.

(5) Standard Mail pieces that qualify for a Destination Network Distribution Center (DNDC) rate, and that are accepted before the day zero Critical Entry Time at the proper DNDC in the contiguous 48 states for delivery to addresses in the states of Alaska or Hawaii or the territories of Guam, Puerto Rico, or the U.S. Virgin Islands, have a service standard of 12-14 days, depending on the 3-digit origin-destination ZIP Code pair. For each such pair, the applicable day within the range is based on the number of days required for transportation outside of the contiguous 48 states.

§121.4 Package Services.

(a) *End-to-End.* (1) The service standard for Sectional Center Facility (SCF) turnaround Package Services mail accepted at the origin SCF before the day zero Critical Entry Time is 2 days when the origin Processing & Distribution Center/Facility and the SCF are the same building, except for mail between the territories of Puerto Rico and the U.S. Virgin Islands.

(2) The service standard for intra-Network Distribution Center (NDC) Package Services mail accepted at origin before the day zero Critical Entry Time is 3 days, for each remaining (non-intra-SCF) 3-digit ZIP Code origin-destination pair within a Network Distribution Center service area, where the origin and destination is within the

contiguous 48 states and is not served by an Auxiliary Service Facility; and for mail between the territories of Puerto Rico and the U.S. Virgin Islands.

(3) The service standard for intra-Network Distribution Center (NDC) Package Services mail accepted at origin before the day zero Critical Entry Time is 4 days for each remaining 3-digit ZIP Code origin-destination pair within a Network Distribution Center service area, where the destination delivery address is served by an Auxiliary Service Facility; the same standard applies to all remaining intra-Alaska mail and mail between the state of Hawaii and the territory of Guam.

(4) For each remaining 3-digit ZIP Code origin-destination pair within the contiguous 48 states, the service standard for Package Services mail accepted at origin before the day zero Critical Entry Time is between 5 and 8 days. For each such 3-digit ZIP Code origin-destination pair, this is the sum of 4 days, plus the number of additional days (from 1 to 4) required for surface transportation between each 3-digit ZIP Code origin-destination pair, plus an additional day if the destination delivery address is served by an Auxiliary Service Facility.

(5) For each remaining 3-digit ZIP Code origin-destination pair for which either the origin or the destination is outside of the contiguous 48 states, the service standard for Package Services mail accepted at origin before the day zero Critical Entry Time is between 10 and 26 days. For each such 3-digit ZIP Code origin-destination pair, this represents the sum of 3 to 4 days, plus the number of days (ranging from 7 to 22) required for intermodal (highway, boat, air-taxi) transportation between each 3-digit ZIP Code origin-destination pair.

(6) The service standard for Inbound Surface Parcel Post® pieces (subject to Universal Postal Union rates) is the same as the service standard for domestic Package Services mail from the 3-digit ZIP Code area in which the International Network Distribution Center is located to the 3-digit ZIP Code in which the delivery address is located.

(b) *Destination Entry.* (1) Package Services mail that qualifies for a Destination Delivery Unit (DDU) rate, and that is accepted before the day zero Critical Entry Time at the proper DDU, has a 1-day (overnight) service standard.

(2) Package Services mail that qualifies for a Destination Sectional Center Facility (DSCF) rate, and that is accepted before the day zero Critical Entry Time at the proper DSCF, has a 2-day service standard, except for mail dropped at the SCF in the territory of Puerto Rico and destined for the territory of the U.S. Virgin Islands.

(3) Package Services mail that qualifies for a Destination Network Distribution Center (DNDC) rate, which is accepted before the day zero Critical Entry Time at the proper DNDC or Destination Auxiliary Service Facility, and that originates and destines in the contiguous 48 states, has a 3-day service standard. Mail that qualifies for a Destination Sectional Center Facility (DSCF) discount, and that is accepted before the day zero Critical Entry Time at the SCF in the territory of Puerto Rico, has a 3-day service standard if it is destined for the territory of the U.S. Virgin Islands.

(4) Package Services mail that qualifies for a Destination Network Distribution Center (DNDC) rate, and that is accepted before the day zero Critical Entry Time at the proper DNDC in the contiguous 48 states for delivery to addresses in the states of Alaska or Hawaii, or the territories of Guam, Puerto Rico, or the U.S. Virgin Islands has

a service standard of either 11 or 12 days, depending on the 3-digit ZIP Code origin-destination pair. For each such pair, the applicable day within the range is based on the number of days required for transportation outside of the contiguous 48 states.

APPENDIX A TO PART 121 – TABLES DEPICTING SERVICE STANDARD DAY RANGES

The following tables reflect the service standard day ranges resulting from the application of the business rules applicable to the market-dominant mail products referenced in §§ 121.1 through 121.4:

Table 1. End-to-end service standard day ranges for mail originating and destinating within the contiguous 48 states and the District of Columbia.

CONTIGUOUS UNITED STATES	
Mail Class	End-to-End Range (days)
First-Class Mail	1–3
Periodicals	1–9
Standard Mail	3–10
Package Services	2–8

Table 2. End-to-end service standard day ranges for mail originating and/or destinating within the states of Alaska and Hawaii, and the territories of Guam, Puerto Rico and the U.S. Virgin Islands.

ALASKA, HAWAII & GUAM, PUERTO RICO & USVI	
Mail Class	End-to-End

	Intra State / Territory			To / From Contiguous 48 States			To / From States of Alaska and Hawaii, and the Territories of Guam, Puerto Rico and the U.S. Virgin Islands		
	Alaska	Hawaii & Guam	Puerto Rico & USVI	Alaska	Hawaii & Guam	Puerto Rico & USVI	Alaska	Hawaii & Guam	Puerto Rico & USVI
First-Class Mail	1–3	1–3	1–2	3–4	3–5	3–4	4–5	4–5	4–5
Periodicals	1–4	1–4	1–3	13-19	12-22	11-16	21-25	21-26	23-26
Standard Mail	3–5*	3–5	3–4	14-20	13-23	12-17	23-26	23-27	24-27
Package Services	2–4	2–4	2–3	12-18	11-21	10-15	21-26	20-26	20-24

*Excluding bypass mail.

Table 3. Destination entry service standard day ranges for mail to the contiguous 48 states and the District of Columbia.

CONTIGUOUS UNITED STATES				
Mail Class	Destination Entry (at appropriate facility)			
	DDU (Days)	SCF (Days)	ADC (Days)	NDC (Days)
Periodicals	1	1	1–2	1–2
Standard Mail	2	3		5
Package Services	1	2		3

Table 4. Destination entry service standard day ranges for mail to the states of Alaska and Hawaii, and the territories of Guam, Puerto Rico and the U.S. Virgin Islands.

ALASKA, HAWAII & GUAM, PUERTO RICO & USVI										
Mail Class	Destination Entry (at appropriate facility)									
	DDU (Days)	SCF (Days)			ADC (Days)			NDC (Days)		
		Alaska	Hawaii & Guam	Puerto Rico & USVI	Alaska	Hawaii & Guam	Puerto Rico & USVI	Alaska	Hawaii & Guam	Puerto Rico & USVI
Periodicals	1	1–2	1	1–2	1–3 (AK) 11 (JNU) 11	1 (HI) 2 (GU)	1–2	10–11	10	8-10

					(KTN)					
Standard Mail	2	3	3	3–4				14	13	12
Package Services	1	2	2	2–3				12	11	11

AK = Alaska 3-digit ZIP Codes 995-997; JNU = Juneau AK 3-digit ZIP Code 998; KTN = Ketchikan AK 3-digit ZIP Code 999; HI = Hawaii 3-digit ZIP Codes 967 and 968; GU = Guam 3-digit ZIP Code 969.

Stanley F. Mires,

Attorney, Legal Policy & Legislative Advice.

[FR Doc. 2011-32009 Filed 12/14/2011 at 8:45 am; Publication Date: 12/15/2011]